GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:3861
ANSWERED ON:13.12.2002
PRIVATE SECTOR BANKS
DUKHA BHAGAT;RATNA SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have fixed any time limit for according sanction to set up the private banks;

(b) if so, the details thereof;

(c) if not, the reasons therefor;

(d) the reasons for according sanction to the private banks when public sector banks are in existence in the country;

(e) whether the Government owes responsibility for checking the private banks cheating the public; and

(f) if so, the mechanism set up to protect the investors/ customers of these banks ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)
(a),(b)&(c): Reserve Bank of India (RBI) has granted `in principle` approvabn 7th February, 2002 for establishing two new banks in the private sector. The `in principle` approval is valid for one year to enable the applicants to mobilize the required capital and fulfill other conditions. On being satisfied that the applicants have complied with the requisite conditions, RBI shallconsider grant of license to these applicants for commencing banking business in due course.
(d): The entry of new banks in private sector was allowed in view of the low bank credit to GDP ratio, increase in saving potential of the society, improvement in banking habits and to introduce greater competition leading to higher productivity and efficiency in the banking sector.
(e)&(f): In terms of the provisions of the Banking Regulation Act, 1949,RBI is responsible for protection of depositors` interests.RBI monitors the performance of banks by conduct of inspections with a view to strengthen the internal control system in banks. In addition, Securities and Exchange Board of India (SEBI) is responsible for the protection of the interest of the investors.